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Approved For Release 2002/01/30 : CIA-RDP80-01237A000100040050-7

USIB-D-53.1/1

3 June 1959

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0301659

Instructions

MEMORANDUM FOR: CHAIRMAN, THE UNITED STATES INTELLIGENCE BOARD

SUBJECT : Estimated Foreign Intelligence Costs

1. The method of submitting intelligence cost data to the Bureau of the Budget and to other branches of the Executive Department outside of the intelligence community has been largely governed by criteria developed by the Bureau of the Budget. Members of the intelligence community have routinely submitted unilateral reports to the Bureau of the Budget based on these criteria. The Bureau of the Budget has consolidated these agency submissions into an annual intelligence estimate and made it available to members of the intelligence community.

Despite efforts to develop uniform and clear understandings of the various cost categories for the agencies involved, there have been persistent differences in estimating practices, particularly as pertains to indirect costs. The need to prevent misinterpretations which might damage the intelligence effort has emphasized the requirement for a coordinated cost reporting procedure.

2. Since early Fall of 1958, when it was formed, the Ad Hoc Working Group on Intelligence Costs has made a thorough study of the problems involved in producing a medium by which the Director of Central Intelligence and the U. S. Intelligence Board (USIB) could develop cost data broadly applicable to the intelligence community as a whole. Any medium meeting this requirement must necessarily be readily adaptable to all the USIB

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DOC	20	REV DATE	2 APR 1959	BY	029725
1237A000100040050-7	38	TYPE	01		
ORIG CLASS	S	PAGES	13	REV CLASS	C
JUST	22	NEXT REV	2011	AUTH	HR 70-2

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member agencies in more or less the same degree; otherwise, the quality of comparability is lost and the report fails to provide a meaningful statistical picture.

3. The production of a cost data report satisfying these specifications involved solutions to a number of basic problems. A major difficulty derives from the fact that not all USIB agencies finance their intelligence activities entirely from "intelligence funds" budgeted for and under the control of the respective chiefs of intelligence. The military departments, for example, are supported by activities which are funded and managed by elements of the departments outside their intelligence organizations. For this reason, the Working Group has adopted a system of applying both "Direct" and "Indirect" obligations as a basis for estimating as closely as possible the true and full cost of the intelligence effort. In addition, an attempt has been made to devise an estimative procedure sufficiently flexible to accommodate all members of the Community. For example, some USIB agencies believe they will find it best to integrate their "overhead" costs and enter them as an integral part of the estimated cost of each intelligence function or line item. On the other hand, some of the fully self-contained intelligence organizations like Central Intelligence Agency and National Security Agency may find it more practical to show their overhead costs separately. The format and its related procedures permit either method to be used.

4. The Working Group is agreed that this cost data should be prepared on a fully coordinated basis and that any presentation of cost data connected with community-wide intelligence obligations to agencies and departments of the government outside the intelligence community be

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made as a corporate USIB act. Consequently, it is recommended that the Board establish a standing USIB committee, designated as the Cost Estimates Committee, to be responsible for the coordinated development of this report on an annual basis and any special reports which may be required in connection with intelligence cost data within the purview of the USIB.

5. It is also recommended that the proposed Cost Estimates Committee be authorized to compile reports for the Fiscal Year 1959 and each year thereafter after the close of the fiscal year in accordance with the attached Tab A and that the Committee be authorized to adjust the format and content of subsequent reports if it is found necessary in the light of experience and the difficulties which might be encountered by the various USIB agencies in compiling the requested information.

6. After review and approval by USIB, it is recommended that the report be distributed to the Bureau of the Budget and the President's Board of Consultants on Foreign Intelligence Activities. This development and review of cost estimates on a fully coordinated basis will ensure that all concerned understand the basis on which the estimates are prepared.

7. Attention is called to the fact that the House Subcommittee on Appropriations for CIA requested that the Agency supply the Committee with a tabular statement listing the agencies and showing the cost and number of personnel involved in the total intelligence effort for Fiscal Years 1958, 1959 and projected for 1960. The Committee was advised that an Ad Hoc Working Group appointed by USIB had been studying the problem but it was not planned to have a report on total costs and personnel until about October or November 1959 and that this first report would only cover Fiscal Year 1959.

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E. R. SAUNDERS

Chairman

Ad Hoc Working Group

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